

EXECUTIVE SUMMARY

This report reviews and evaluates the state of competition in the commercial liability insurance market in Michigan. The report evaluates this market for calendar year 2000 as required by section 2409c of the Insurance Code of 1956, 218 PA 1956, MCL 500.2409c (section 2409c). Its purpose is to determine if competition in this market has effectively restrained commercial liability insurance premiums to reasonable levels that are not excessive or unfairly discriminatory. Economic analysis was used to determine whether current market structure, conduct, and performance are conducive to workable competition. The commercial liability insurance lines analyzed are medical malpractice and other commercial liability.

The report analyzed two measures of profitability, statewide loss ratios and return on net worth (RONW). Examining such indicia of profitability indirectly measures the industry's efficiency in delivering insurance services.

On November 28, 2001, a public hearing was held to obtain public comment on the state of competition in the commercial liability insurance market. Individuals attending the hearing sought information on the reporting process and none of them testified. In fact, to date, the only testimony given by business was in 1988 from several canoe livery businesses that were having short-term problems obtaining insurance.

The lack of testimony given since 1988 would appear to indicate that businesses are not having problems obtaining commercial liability insurance. Though not likely, it is possible that the lack of business participation indicates businesses are unaware of the existence of a forum in which to air their insurance problems. The American Insurance Association (AIA), which submitted testimony in the past, has not testified on the state of competition since 1995.

Brief History of the Underwriting Cycle

This report was first issued in 1988 after an unanticipated change in the mid-1980s in the litigation climate resulting in operating losses. These losses, together with less-than-expected investment gains, had contributed in 1984 and 1985 to low profitability for insurers, as reflected in high statewide average loss ratios and low RONW.

The poor performance caused a loss of surplus and undermined the confidence by admitted insurers, which reduced insurance exposure. This reduced insurance availability with most of the shortfall picked up by surplus lines insurers, whose share of total business liability insurance premium in Michigan grew from 6.7% in 1984 to 15.3% in 1988.

Widespread premium rate increases, especially for certain high-risk lines in 1985 and 1986, accompanied the growth in the surplus lines segment of the market. Surplus lines insurers garnered

large market shares in several markets. Overall, the increase in rates and reduced availability was a national phenomenon.

The hard market of the mid-1980s caused a public outcry over the high cost of litigation and insurance. As some called for a political solution, the Michigan Legislature enacted changes in the tort liability law to reduce unwarranted litigation. In addition, the Insurance Code of 1956 was amended to require the former Insurance Bureau (now OFIS) to report on the status of competition in commercial liability insurance markets.

From 1987 through 1992, the market softened slightly as insurer profitability, as shown by lower loss ratios and higher RONW, returned. While premiums over this period were stable or declining, availability problems continued in some lines of insurance and surplus lines insurers maintained their market share. Surplus lines concentration for medical malpractice insurance rose significantly through 1990 but has since trended lower. In recent years, surplus lines business has increased in one line -- other commercial liability.

In 1994, concern arose in the industry that insurance was under-priced and average commercial liability loss ratios in Michigan rose. In spite of this concern, the soft market continued through 1999. Through 1998, as premiums declined, insurer profits increased. This was especially true in Michigan for medical malpractice insurers, whose profitability peaked during the period 1995 through 1998. In 1999, however, RONW for medical malpractice insurers dropped to 10.9%.

During the 1990s, the RONW for other commercial liability insurers peaked at 22.0% in 1997 and declined to 4.4% in 1999 and 12.3% in 2000. Premium rates appear to be approaching the trough of this underwriting cycle. Earlier in the 1990s, the RONW fell to 7.9% in 1993, one year before RONW hit -1.4%. Continuing declines in premium rates will likely contribute to losses.

Conclusions

The evidence appears to show that insurers are making medical malpractice insurance available to their constituent groups at reasonable rates. The growth in surplus lines insurers, offshore captives, risk-retention groups, and purchasing groups formed under the federal Liability Risk Retention Act of 1986 (LRRRA), 15 USC 3901 et seq., may indicate that many physicians and hospitals are dropping out of traditional insurance markets. It is concluded that the market for medical malpractice insurance is reasonably competitive.

The market for other commercial liability insurance shows that insurance is available at reasonable premium rates. This indicates that the market for other commercial liability insurance is workably competitive. As noted above, however, premium rates may be approaching the trough of the underwriting cycle and, in 2001, insurers may see their profitability turn negative.

BACKGROUND

In the mid-1980s, concern about the so-called "liability crisis" caused businesses to seek a legislative solution to the high cost of liability insurance. Some persons who were concerned that this market was operating inefficiently called for increased regulation. Since little was known about the efficiency of the liability insurance market, many resisted a regulatory solution. In the end, the Michigan Legislature enacted Act No. 318 of the Public Acts of 1986, which added section 2409c to the Insurance Code of 1956. Section 2409c requires the Office of Financial and Insurance Services (OFIS) to evaluate the state of competition in the commercial liability insurance market. The purpose of this report is to fulfill that mandate.

Section 2409c requires OFIS to complete a preliminary and a final report on the state of competition. The requirement of a preliminary report stems from an incorrect assumption that data will be available timely for the commercial liability market as is true for the workers' compensation market. Insurers submit data for the workers' compensation insurance market directly to the Compensation Advisory Organization of Michigan (CAOM) as they write workers' compensation insurance policies. Thus, CAOM can provide the data as requested by OFIS annually and semi-annually.

For the commercial liability report, the source of the data is the insurance company annual statements submitted annually in March and covering the previous calendar year. The data are submitted to the National Association of Insurance Commissioners (NAIC) and the states. The data are encoded by the NAIC and typically made available to the states in June of each year. These are the data used in OFIS' by-line reports and annual report. Most of the data for the commercial liability report come from this NAIC database. The surplus lines data arrive semi-annually and calendar year statistics are not available until March of each year.

The profitability data used in this commercial report also come from the NAIC. The profitability statistics are generated from the annual statements after the data are encoded. The NAIC's profitability report typically comes out in November or December of the year following the statement year.

Due to the arrival times of these data, when the final report is produced in August there are no new data available upon which to report. The timing of the profitability statistics requires use of data from two years prior. The preliminary report, which is due January of each year, has no new data upon which to report except for the profitability data. This assumes that the NAIC's profitability report has been published on schedule. Unfortunately, the September 11, 2001 terrorist attacks and changes in the methods of calculating the profitability statistics again have delayed publication of the profitability report. This has delayed completion of the commercial liability report.

In the spring of 2000, insurers filed data for this final report in their annual financial statements covering the 1999 calendar year. More recently, a public hearing addressing competition in the commercial liability insurance market was held on November 28, 2001. Information and, if applicable, testimony from the hearing and later submissions are used in preparing this report. As was true in all of the hearings since 1995, no one testified at the November 28, 2001 public hearing.

In this preliminary report OFIS will present the new profitability statistics published by NAIC that arrived near the end of January 2001.

This report contains the statutory criteria for evaluating competition, the economic theory underlying the analysis, the exhibits reviewing the market structure in each insurance line, and the analysis of market structure and conduct. Much of the market performance data are from the profitability report, which include loss ratio and return on net worth (RONW) statistics for medical malpractice and other commercial liability insurance lines. This preliminary report reviews these data, which consist of cross-state comparisons.

Readers will note that to shorten the 1999 preliminary report, certain exhibits were eliminated. In order to maintain consistency, the numbering scheme of the exhibits retained in the 2001 preliminary report is identical to that in previous reports.

Report Outline

This preliminary report is to evaluate and certify the state of competition in the commercial liability insurance market for 2000, as required by section 2409c. However, as discussed earlier, OFIS does not receive state-specific data until March and most of these data are not available until June.

This report evaluates data filed by insurers in the spring in their annual financial statements covering the previous calendar year. A public hearing addressing the issue of competition in the commercial liability insurance market was held on November 28, 2001. Typically, information and testimony from hearings and subsequent submissions are used in preparing this report. However, no one has testified at a hearing since 1995.

The remainder of the report is organized into five sections. The first covers the economic theory of using loss ratios and RONW to evaluate market performance. The second section covers testimony given at the public hearing. The third section covers the 2000 NAIC profitability data for medical malpractice insurance. The fourth section covers the 2000 NAIC profitability data for commercial liability insurance and how the data affect the conclusions presented in the final report. The final section reviews information on national trends taken from Best's and any implications the data might have for Michigan. The exhibit labels presented here have been maintained from the final report to facilitate comparisons.

I. Economic Theory Regarding Market Performance

Economic theory provides that a competitive market will achieve an optimal allocation of resources. This means that the market price will equal the cost of the last unit of output, each firm will produce a level of output where its average cost is minimized, and investors will receive a rate of return just equal to the cost of capital. In effect, a competitive market structure causes firms to behave competitively, which, in turn, leads to market performance favorable to customers. If the Michigan commercial liability insurance market exhibits workable competition, its performance should reasonably approach the perfectly competitive ideal.

Profitability - Loss Ratios

A useful measure of the industry's efficiency and profitability is the statewide loss ratio, which can be calculated by dividing incurred losses by earned premium. In any given year, losses reported by insurers include current year losses plus changes in estimated liabilities for prior policy periods. A loss ratio is calculated by dividing incurred losses by premiums earned during the policy period. The loss ratio reveals the amount of actual loss protection received for each premium dollar paid. The portion of premiums not paid out

in losses is available for expenses and profits. All else equal, higher loss ratios suggest greater cost efficiency and/or decreased profitability, while lower loss ratios imply decreased cost efficiency and/or increased profitability. An increase in competition and rates would tend to produce lower loss ratios. Conversely, a reduction in competition and rates would tend to result in higher loss ratios.

There is the question of what loss ratio will permit a commercial liability insurer to earn a fair rate of return on investment that is consistent with reasonable competition. Determination of such a loss ratio would depend on assumptions about investment income, expenses, premium-to-surplus ratios, as well as the shape of the 'loss-tail' to which it applies. The loss-tail refers to the shape of the stream of loss claims covered by the insurance policy. A long loss-tail means claims are typically paid many years subsequent to the policy year. Given the pattern of the loss payout data, it might be possible to calculate a hypothetical competitive loss ratio as a rough benchmark to be compared with actual experience to assess the efficiency of the industry.

Comparison of the absolute to the hypothetical loss ratio is not the only way to evaluate insurer profitability. One might compare statewide loss ratios and profitability measures for Michigan relative to other similar Great Lakes states and the rest of the United States.

For purposes of the final reports and this report, calendar year loss ratios are shown in exhibits 2(c) and 3(c) for Michigan, the other Great Lakes states, and the nation. Exhibits E-1 and E-2 contain loss ratio information for all states. A column is added for each year of data that shows the state's ranking among the 50 states and District of Columbia. The states are ranked from lowest-to-highest loss ratio, i.e., lower rank implies higher profits.

Using this information, insurer profitability in Michigan can be compared with that of other states. However, one must exercise caution when using calendar-year loss ratios, because they compare incurred losses to premiums collected in the same calendar year rather than to the premiums collected for the policy years to which the losses are attributable. Since for many commercial liability lines only a small portion of calendar year losses are actually assigned to the premiums paid that year, an individual carrier's loss ratio will vary considerably depending on whether its business is expanding or contracting. As a result, such individual ratios may not be useful for ratemaking purposes. To the extent that, in aggregate, loss-tails are consistent from year to year, statewide loss ratios are a good indicator of state-to-state profitability and efficiency. The source for exhibits 2(c) and 3(c) is the NAIC profitability reports, which use state page by-line data from insurers' annual reports.

Profitability - Return on Net Worth

The NAIC has developed profitability reports by state and by line of coverage. The by-state, by-line measure of profitability examined is the RONW. RONW is a percentage determined as the NAIC's estimates of operating profits in each line for a state divided by the NAIC's determination of net worth allocated to each line for the given state.

Underwriting Cycle

While the conditions for perfect and workable competition are stated in static terms, another factor, the underwriting cycle, influences the short-term performance of the commercial liability insurance industry.

The underwriting cycle consists of successive periods of increasing and diminishing competition. Competitive or "soft" markets are characterized by falling premium rates, increased availability, growing loss ratios, and reduced surplus. Together, these conditions elevate loss ratios and eventually cause insurers to raise their rates, restrict coverage's, and reduce their volume of policies written. In the especially hard phase of the cycle, surplus lines insurers can dominate the less profitable coverage's for admitted insurers. Eventually, increased rates and restricted coverage's restore insurer profitability and surplus, which, in turn, spurs another round of price-cutting.

The status of competition in the Michigan commercial liability insurance market must be evaluated in a long-term context. Short-term increases in rate levels and profitability do not necessarily indicate a lack of competition if rates previously charged have been insufficient to cover costs. A lack of competition would be indicated by a *sustained* period of excessive rates with no retrenchment to reasonable levels. Competition should prevent rates from becoming excessive for an extended period of time. The objective of this report is to determine whether the Michigan commercial liability insurance market reasonably meets the standards of workable competition.

II. PUBLIC HEARING TESTIMONY

On November 28, 2001, a public hearing was held to elicit public comment regarding the state of competition in the commercial liability insurance market. None of the individuals attending the hearing testified. In fact, the only testimony ever given by business was in 1988 from several canoe livery businesses that were having short-term problems obtaining insurance. The lack of testimony given since 1988 would appear to indicate that businesses are not having problems obtaining commercial liability insurance. Though not likely, it is possible that the lack of business participation indicates that businesses are unaware of the existence of a forum in which to air their insurance problems.

The AIA, in the past, has submitted testimony, but it has not testified on the status of competition in this market since 1995.

III. MEDICAL MALPRACTICE LIABILITY INSURANCE

Medical malpractice insurance differs from other lines of insurance in the unusually long period between the event that created the potential liability and the date the liability litigation is resolved and payment on the claim is due. This is true even after the tort reforms contained in Public Act 349 of 1993, that amended the Insurance Code of 1956 to, among other things, limit the amount of time between the onset of a medical problem and the time when an individual can file a claim. The liability tail remains long because many years may elapse before a problem surfaces. Insurance lines having inordinately long liability tails and economic and litigation uncertainties combine to greatly complicate premium rate-setting for insurers.

Problems in availability and price of medical malpractice insurance first appeared in the liability crisis of the mid-1970s when low profitability led to the departure of many traditional insurers from the market. This led to several significant changes. One was the growth of physician- and hospital-sponsored insurers. Another was the change from predominantly occurrence policies to claims-made policies. The movement to surplus-lines insurers, risk-retention groups, purchasing groups and offshore captive insurers resulted from the tight markets in 1985 to 1987. That movement continued through 1990, leveled off until 1993, and since has declined.

Exhibit 2(a) examines the structure of the top eight insurers in the medical malpractice insurance market over the years since 1991.

Market Performance

Exhibit 2(c) displays loss ratios for the last 10 years through 2000 for the Great Lakes states, which have economies similar to Michigan's. Exhibit E-1 provides this information for all the states. A lower loss ratio gives a state a higher ranking (the state with the lowest loss ratio would be ranked 1). A lower loss ratio is favorable to insurers and unfavorable to purchasers. Based on national averages since 1990, a loss ratio of around 75% to 80% likely would give insurers reasonable profitability at reasonable premium rates.

The loss ratios for medical malpractice during 1991 through 2000 indicate adequate rate levels and more profitable years. For the 10-year period 1991 to 2000, nationally, the loss ratios have been very stable averaging nearly 65.7%, indicating that the line has been profitable over the decade.

The loss ratios in Michigan paralleled those of the nation for most years through 1994. In 1996, 1997, 1998, 1999, and 2000, the Michigan average loss ratios were 38%, 32%, 43%, 48%, and 29%, respectively, which depart significantly from the national figures. Overall, these five years have been very profitable for Michigan medical malpractice insurers. Typically, such profitability is due to the release of excess reserves arising out of favorable resolution of claims in prior years. Claims costs could be lower than anticipated reflecting greater price stability overall and in the medical sector and advances in medical technology.

As discussed above, one must exercise caution in evaluating insurer profitability based on loss ratios since calendar year loss data are not valid for assessing adequacy of rates and profitability of liability lines. Calendar year loss ratios compare premiums collected in a given calendar year to losses incurred that year, which relate mostly to policies purchased in earlier years. Thus, current premium rates might not be excessive if the low loss ratios that are currently being observed are due to the favorable resolution of claims.

Exhibit 2(d) shows RONW for the Great Lakes states since 1991 as reported by the NAIC. Exhibit F-1 provides the same information for all states. The narrative part of the exhibit briefly explains how the NAIC calculated these data. A low RONW, other things equal, leads to a higher ranking, which is favorable to purchasers.

Throughout the period 1986 to 1994, the RONW for the medical malpractice insurance companies in Michigan hovered near the median level of comparable states and of all states at least until 1995. The RONW statistics indicate that the period from 1995 through 2000 has been profitable for Michigan's medical malpractice insurance companies. Insurer profits trended lower through 1999 but rebounded sharply in 2000. The RONW in Michigan for 1999, was 10.9%, down from 15.4% in 1998. The downward trend during the

period 1995 through 1999 shows that insurers were behaving competitively. The RONW figures in Michigan have averaged 17.6% since 1991, 6 percentage points above the national average. A review of average profitability over this period shows insurer profits are not excessive.

Evaluation of Competition

Based on the evidence presented here, it would appear that the market for medical malpractice insurance is dominated by a few domestic captive insurance companies which showed restraint in the rate of increase in premiums and made medical malpractice insurance available to their constituent groups. Those not accepted for coverage by one of these insurers are often forced into surplus lines insurance. While this conclusion is largely conjecture, it appears reasonable, since OFIS has not received complaints about the cost or availability of insurance.

Insured's for which the market temporarily dries up during the market contraction phase may find attractive alternatives to their previous insurance arrangements. They may create their own insurers that can compete with their former insurers. Since 1989, there has been significant growth in surplus lines insurers, offshore captives, risk-retention groups, and purchasing groups formed under the federal LLRA. This indicates that many physicians and hospitals are choosing to drop out of the traditional insurance markets.

On the surface, the market for medical malpractice insurance appears to be oligopolistic, given the large market share held by the top three insurers. It is worth noting that the top four insurers were formed by health providers, largely due to high premiums and lack of availability of adequate coverage. Overall, the market appears competitive.

The industry average loss ratios and average RONW over time supports this conclusion. Improved profitability for the period from 1991 to 2000 has improved the financial position of these insurers since the hard market of 1985. The improved profitability has encouraged the entry of new insurance companies, a lessening of market concentration, and a reduction of premium going to surplus lines carriers. However, the market is dominated by a few larger established insurers from which new market entrants may struggle to gain market share.

Exhibit 2(a)

**Rank, Market Shares and Concentration of the Admitted
Medical Malpractice Insurance Market
1991-1994**

<u>Year</u>	<u>Rank</u>	<u>Carrier Name</u>	Premiums Written (\$1,000's)	Shares Market (%)	Sum of Shares (%)
1991	1.	Michigan Physicians Mut Liab Ins	55,909	37.72	37.72
	2.	Physicians Insurance Co of MI	46,588	31.44	69.16
	3.	Michigan Hospital Assn Ins Co	18,370	12.40	81.55
	4.	Butterworth Insurance Exchange	3,861	2.61	84.16
	5.	American Continental Ins Co	3,448	2.33	86.49
	6.	Saint Paul Fire & Marine Ins Co	3,392	2.29	88.77
	7.	Clarendon National Ins Co	2,919	1.97	90.74
	8.	Medical Protective Company	2,728	1.84	92.59
1992	1.	Michigan Physicians Mut Liab Ins	59,654	38.06	38.06
	2.	Physicians Insurance Co of MI	48,616	31.02	69.08
	3.	Michigan Hospital Assn Ins Co	21,644	13.81	82.89
	4.	Butterworth Insurance Exchange	4,174	2.66	85.55
	5.	Clarendon National Ins Co	3,600	2.30	87.85
	6.	Saint Paul Fire & Marine Ins Co	3,058	1.95	89.80
	7.	American Continental Ins Co	2,921	1.86	91.66
	8.	Medical Protective Company	2,271	1.45	93.11
1993	1.	Michigan Physicians Mut Liab Ins	62,066	37.69	37.69
	2.	Physicians Insurance Co of MI	49,570	30.10	67.79
	3.	Michigan Hospital Assn Ins Co	25,468	15.46	83.25
	4.	Butterworth Insurance Exchange	4,159	2.53	85.78
	5.	Clarendon National Ins Co	2,757	1.67	87.45
	6.	Saint Paul Fire & Marine Ins Co	2,614	1.59	89.04
	7.	Medical Protective Company	2,104	1.28	90.32
	8.	American Continental Ins Co	1,919	1.17	91.48
1994	1.	Michigan Physicians Mut Liab Ins	60,824	35.86	35.86
	2.	PICOM Insurance Company	50,425	29.73	65.58
	3.	Michigan Hospital Assn Ins Co	21,637	12.76	78.34
	4.	American Continental Ins Co	6,763	3.99	82.32
	5.	Butterworth Insurance Exchange	4,874	2.87	85.20
	6.	Continental Insurance Company	3,788	2.23	87.43
	7.	Chicago Insurance Company	2,460	1.45	88.88
	8.	Insurance Company of the West	2,448	1.44	90.32

Exhibit 2(a)

**Rank, Market Shares and Concentration of the Admitted
Medical Malpractice Insurance Market
1995-1998**

<u>Year</u>	<u>Rank</u>	<u>Carrier Name</u>	<u>Written Premiums (\$1,000's)</u>	<u>Market Shares (%)</u>	<u>Sum of Shares (%)</u>
1995	1.	Michigan Physicians Mut Liab Ins	56,104	33.05	33.05
	2.	PICOM Insurance Company	48,272	28.44	61.49
	3.	Michigan Hospital Assn Ins Co	23,663	13.94	75.44
	4.	American Continental Ins Co	5,995	3.53	78.97
	5.	Butterworth Insurance Exchange	5,458	3.22	82.18
	6.	Continental Insurance Company	5,179	3.05	85.23
	7.	Frontier Insurance Company	3,034	1.79	87.02
	8.	Chicago Insurance Company	2,791	1.64	88.67
1996	1.	Michigan Physicians Mut Liab Ins	53,121	31.51	31.51
	2.	PICOM Insurance Company	45,937	27.25	58.76
	3.	Michigan Hospital Assn Ins Co	24,313	14.42	73.19
	4.	Butterworth Insurance Exchange	6,648	3.94	77.13
	5.	Frontier Insurance Company	5,640	3.35	80.48
	6.	American Continental Ins Co	5,037	2.99	83.46
	7.	Continental Insurance Company	4,746	2.82	86.28
	8.	Chicago Insurance Company	2,972	1.76	88.04
1997	1.	Michigan Physicians Mut Liab Ins	47,541	30.37	30.37
	2.	PICOM Insurance Company	41,439	26.47	56.84
	3.	Michigan Hospital Assn Ins Co	28,315	18.09	74.92
	4.	Butterworth Insurance Exchange	6,754	4.31	79.24
	5.	Frontier Insurance Company	4,939	3.15	82.39
	6.	American Continental Ins Co	3,876	2.48	84.87
	7.	Medical Protective Company	3,690	2.36	87.23
	8.	Continental Insurance Company	2,846	1.82	89.04
1998	1.	Mutual Insurance Corp of Amer	47,327	30.10	30.10
	2.	ProNational Insurance Co	36,695	23.34	53.44
	3.	Michigan Hospital Asn Ins Co	26,321	16.74	70.18
	4.	Michigan Professional Ins Exchange	6,723	4.28	74.49
	5.	American Continental Insurance Co	4,802	3.05	77.51
	6.	Frontier Insurance Co	4,579	2.91	80.42
	7.	Continental Casualty Co	4,246	2.70	83.12
	8.	Medical Protective Co	3,413	2.17	85.29

Exhibit 2(a)

**Rank, Market Shares and Concentration of the Admitted
Medical Malpractice Insurance Market
1999-2000**

<u>Year</u>	<u>Rank</u>	<u>Carrier Name</u>	Written Premiums (\$1,000's)	Market Shares (%)	Sum of Shares (%)
1999	1.	Mutual Insurance Corp of Amer	44,449	29.24	29.24
	2.	ProNational Insurance Co	37,980	24.99	54.23
	3.	Michigan Hospital Asn Ins Co	26,930	17.72	71.95
	4.	Michigan Professional Ins Exchange	7,781	5.12	77.07
	5.	Medical Protective Co	4,237	2.79	79.85
	6.	Star Ins Co	3,841	2.53	82.38
	7.	Frontier Ins Co	3,480	2.29	84.67
	8.	American Continental Ins Co	3,151	2.07	86.74
2000	1.	American Physicians Assur Corp	40,054	25.06	25.06
	2.	ProNational Insurance Company	39,695	24.84	49.90
	3.	Michigan Hospital Assn Ins Co	28,462	17.81	67.71
	4.	Michigan Professional Ins Exchange	9,554	5.98	73.69
	5.	Medical Protective Company	7,670	4.80	78.49
	6.	American Continental Ins Co	4,701	2.94	81.43
	7.	Star Insurance Company	4,522	2.83	84.26
	8.	Frontier Insurance Company	2,281	1.43	85.69

Exhibit 2(c)

Loss Ratios - Medical Malpractice with Rank of State (lowest L/R to highest)
1991 - 2000

YEAR	2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		Average	
	LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank	
US	80.9%		73.9%		73.0%		57.8%		62.9%		59.3%		59.3%		64.6%		69.5%		55.7%		65.7%	
Illinois	96.6%	34	63.5%	18	81.8%	35	55.8%	24	54.6%	20	73.7%	39	86.7%	45	99.9%	49	108.9%	48	84.1%	45	80.6%	43
Indiana	29.2%	4	48.1%	13	30.2%	8	25.3%	9	55.8%	21	57.1%	29	19.5%	6	35.6%	10	17.1%	5	39.1%	17	35.7%	4
Michigan	29.3%	5	47.7%	11	43.4%	14	32.0%	12	38.1%	7	26.4%	4	59.6%	33	60.9%	37	57.7%	33	63.6%	38	45.8%	15
Minnesota	32.4%	6	43.0%	10	61.5%	20	-8.9%	2	70.0%	31	27.8%	5	38.3%	13	32.8%	7	38.3%	18	50.3%	27	38.6%	8
New York	35.8%	7	76.7%	31	78.5%	34	21.9%	8	49.5%	16	46.7%	15	73.3%	37	95.0%	47	144.7%	49	77.4%	44	74.5%	37
Ohio	104.3%	38	100.5%	43	92.0%	39	86.1%	38	79.3%	36	75.4%	41	50.0%	23	78.1%	44	63.9%	35	54.6%	33	78.4%	41
Pennsylvania	109.6%	43	120.0%	48	75.7%	30	70.7%	30	67.2%	30	56.9%	28	35.0%	9	51.6%	24	23.0%	6	102.2%	49	71.2%	32
Wisconsin	15.9%	1	29.5%	4	13.9%	3	-7.2%	3	13.0%	2	45.9%	14	19.0%	5	27.1%	5	45.6%	25	48.9%	26	25.2%	2

Exhibit 2(d)

Return on Net Worth (RONW) - Medical Malpractice with Rank of State (lowest RONW to highest)
1991 – 2000

YEAR	2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		Average	
	RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank	
US	5.4%		5.1%		7.6%		12.6%		12.6%		12.7%		13.7%		15.3%		15.5%		15.9%		11.6%	
Illinois	3.1%	18	11.3%	41	5.7%	21	12.9%	27	18.2%	43	7.6%	18	5.4%	15	3.6%	7	5.5%	6	3.1%	11	7.6%	17
Indiana	17.7%	41	4.7%	29	14.8%	40	11.2%	26	11.2%	26	9.1%	21	23.3%	40	23.5%	40	31.1%	41	25.6%	38	17.2%	38
Michigan	19.3%	44	10.9%	40	15.4%	41	19.5%	42	20.4%	46	23.5%	48	13.8%	26	18.9%	31	22.1%	30	12.0%	17	17.6%	39
Minnesota	19.8%	45	9.9%	39	10.3%	30	35.9%	51	9.2%	24	28.2%	51	24.1%	41	32.1%	48	33.6%	44	17.8%	24	22.1%	46
New York	17.1%	40	7.4%	33	9.7%	29	20.7%	46	18.8%	45	19.9%	42	14.4%	29	13.8%	18	4.0%	5	13.3%	18	13.9%	30
Ohio	-4.6%	10	-2.3%	15	-4.3%	9	4.7%	16	6.8%	19	6.5%	15	19.7%	36	12.4%	14	21.9%	28	13.4%	19	7.4%	16
Pennsylvania	-2.6%	15	-6.9%	7	4.9%	19	8.4%	23	7.2%	20	10.5%	25	30.1%	47	20.3%	34	44.7%	49	-7.5%	4	10.9%	23
Wisconsin	17.9%	42	12.0%	43	18.9%	45	28.3%	49	25.1%	48	19.4%	41	28.0%	45	30.0%	47	25.0%	35	18.4%	26	22.3%	47

Loss Ratio and Return on Net Worth Data from NAIC Report on Profitability By-line By-State 2000

IV. OTHER COMMERCIAL LIABILITY INSURANCE

Other commercial liability insurance is a catchall category containing many lines of commercial liability insurance. For reporting purposes through 1990, this category included all types of commercial liability insurance except medical malpractice liability. Specifically, other commercial liability included municipal, liquor and product liability through 1990. In 1991, changes in insurers' annual financial statements required separate reporting of the product liability insurance. Other commercial liability also includes liability coverage's such as general, directors and officers, manufacturers and contractors, errors and omissions, environmental impairment, protective, legal and contractual.

Exhibit 3(a) examines the structure of the top eight insurers in the commercial liability insurance market over the years since 1991.

Market Performance

Exhibit 3(c) gives 10 years of loss ratios calculated by the NAIC and national rankings (highest being 1) for the Great Lakes states. Exhibit E-2 provides the same information for all states and the District of Columbia. The states are ranked in order from lowest-to-highest loss ratio. Thus, a lower loss ratio implies a higher ranking, which reflects favorable conditions for insurers.

Exhibit 3(c) begins four years after the hard underwriting cycle of 1985 to 1987. The loss ratios in the early 1990s varied in a very profitable range through 1993. The loss ratio peaked in 1994 ending the last hard market.

Exhibit 3(c) reveals that the statewide loss ratios in Michigan have tended to follow national loss ratios over the 10 years presented, averaging 68.9% in Michigan and 71.7% nationally. Michigan loss ratios for other commercial liability insurance in 1996 and 1997 were 47% and 34%, respectively, indicating high profitability. In 2000, the loss ratio in Michigan was 76.2%, slightly above the 10-year average. Likewise, the 2000 national loss ratio registered 75.9%, just above the 10-year average.

Over the past 10 years, the Michigan loss ratio has tended to be near the median of the Great Lakes states and slightly above the national median. Thus, based on the evidence in Exhibit 3(c) for 1991 to 2000, insurers' profitability in Michigan does not appear to be out of line relative to the rest of the nation or comparable states.

Exhibit 3(d) displays for other commercial liability, RONW for the Great Lakes states since 1991 based on NAIC calculations. Exhibit F-2 provides the same information for all states. The states are ranked in order from lowest to the highest RONW. Thus, a lower RONW implies a higher ranking among the states, which is favorable to purchasers and unfavorable to insurers (the opposite perspective of the loss ratio ranks because of the nature of the calculation). The narrative part of the Exhibit summarizes how the NAIC calculates the RONW data.

Exhibit 3(d) shows the last 10 years beginning in 1991. Since 1991, the Michigan commercial general liability insurance market profit has been near the average of the Great Lakes states, and slightly above the national average. Since 1991, the average insurer RONW nationally was 8.9% and

11.4% in Michigan. Michigan's average rank, at 16th, is relatively favorable to purchasers.

The 1994 data showed a loss in the other commercial liability insurance lines in Michigan. Profitability has since rebounded to new heights. For the period covered by the data, the insurance market has continued to be soft since 1994. The data for 1995 through 1997 indicate a rebound in insurers' profitability. The 2000 RONW data show a slight recovery in insurer profits.

Exhibit 3(a)

**Rank, Market Shares and Concentration of the Admitted
Other Commercial Liability Insurance Market
1991-1993**

<u>Year</u>	<u>Rank</u>	<u>Carrier Name</u>	<u>Written Premiums (\$1,000's)</u>	<u>Market Shares (%)</u>	<u>Sum of Shares (%)</u>
1991	1.	National Union Fire Ins Co of Pit	64,655	12.58	12.58
	2.	Insurance Co of North America	26,425	5.14	17.72
	3.	Aetna Casualty and Surety Co	24,106	4.69	22.41
	4.	Federal Insurance Company	24,041	4.68	27.09
	5.	Hartford Fire Insurance Co	13,890	2.70	29.79
	6.	North Pointe Insurance Co	13,480	2.62	32.41
	7.	Auto-Owners Insurance Company	12,975	2.52	34.93
	8.	Michigan Mutual Insurance Co	12,167	2.37	37.30
1992	1.	National Union Fire Ins Co of Pit	78,695	15.30	15.30
	2.	Insurance Co of North America	38,128	7.41	22.71
	3.	Federal Insurance Company	26,738	5.20	27.91
	4.	Aetna Casualty and Surety Co	22,701	4.41	32.32
	5.	North Pointe Insurance Co	13,757	2.67	34.99
	6.	Auto-Owners Insurance Company	13,355	2.60	37.59
	7.	Home Insurance Company	11,311	2.20	39.79
	8.	Citizens Ins Co of America	10,640	2.07	41.86
1993	1.	National Union Fire Ins Co of Pit	52,873	11.07	11.07
	2.	Federal Insurance Company	27,615	5.78	16.85
	3.	Aetna Casualty and Surety Co	20,019	4.19	21.04
	4.	Continental Insurance Company	14,773	3.09	24.14
	5.	Auto-Owners Insurance Company	13,658	2.86	27.00
	6.	North Pointe Insurance Co	13,612	2.85	29.85
	7.	Home Insurance Company	13,040	2.73	32.58
	8.	Continental Casualty Company	10,773	2.26	34.83

Exhibit 3(a)

**Rank, Market Shares and Concentration of the Admitted
Other Commercial Liability Insurance Market
1994-1998**

<u>Year</u>	<u>Rank</u>	<u>Carrier Name</u>	<u>Written Premiums (\$1,000's)</u>	<u>Market Shares (%)</u>	<u>Sum of Shares (%)</u>
1994	1.	National Union Fire Ins Co of Pit	74,700	13.36	13.36
	2.	Insurance Co of North America	46,569	8.33	21.69
	3.	Federal Insurance Company	28,883	5.17	26.85
	4.	Aetna Casualty and Surety Co	22,913	4.10	30.95
	5.	Continental Insurance Company	16,102	2.88	33.83
	6.	Continental Casualty Company	13,949	2.49	36.32
	7.	North Pointe Insurance Co	13,853	2.48	38.80
	8.	Auto-Owners Insurance Company	13,800	2.47	41.27
1995	1.	National Union Fire Ins Co of Pit	81,946	14.29	14.29
	2.	Dorinco Reinsurance Company	39,181	6.83	21.13
	3.	Century Indemnity Company	30,754	5.36	26.49
	4.	Federal Insurance Company	29,852	5.21	31.70
	5.	Aetna Casualty and Surety Co	21,275	3.71	35.41
	6.	Continental Insurance Company	16,161	2.82	38.23
	7.	Continental Casualty Company	13,761	2.40	40.63
	8.	Auto-Owners Insurance Company	13,568	2.37	43.00
1996	1.	National Union Fire Ins Co of Pit	49,114	8.50	8.50
	2.	Dorinco Reinsurance Company	44,435	7.69	16.19
	3.	Insurance Co of North America	40,516	7.01	23.20
	4.	Federal Insurance Company	31,905	5.52	28.72
	5.	Zurich Insurance Co US Branch	17,296	2.99	31.71
	6.	Continental Insurance Company	15,391	2.66	34.37
	7.	Citizens Insurance Co of America	14,113	2.44	36.81
	8.	Continental Casualty Company	13,740	2.38	39.19
1997	1.	Federal Insurance Company	36,258	7.15	7.15
	2.	National Union Fire Ins Co of Pit	30,720	6.06	13.21
	3.	Insurance Co of North America	26,368	5.20	18.42
	4.	Zurich Insurance Co US Branch	21,260	4.19	22.61
	5.	Continental Casualty Company	15,309	3.02	25.63
	6.	Citizens Insurance Co of America	14,609	2.88	28.51
	7.	Continental Insurance Company	14,583	2.88	31.39
	8.	North Pointe Insurance Company	13,574	2.68	34.07
1998	1.	National Union Fire Ins Co of Pit	43,779	8.66	8.66
	2.	Federal Insurance Company	37,314	7.38	16.05
	3.	Zurich American Insurance Co	18,509	3.66	19.71
	4.	Citizens Insurance Co of America	15,446	3.06	22.76
	5.	Continental Insurance Company	14,155	2.80	25.57
	6.	Auto-Owners Insurance Company	13,386	2.65	28.21
	7.	Dorinco Reinsurance Company	12,313	2.44	30.65
	8.	North Pointe Insurance Co	11,961	2.37	33.02

Exhibit 3(a)

**Rank, Market Shares and Concentration of the Admitted
Other Commercial Liability Insurance Market
1999-2000**

<u>Year</u>	<u>Rank</u>	<u>Carrier Name</u>	Written Premiums (\$1,000's)	Market Shares (%)	Sum of Shares (%)
1999	1.	Dorinco Rein Co	93.657	15.55	15.55
	2.	National Union Fire Ins Co of Pit	38.271	6.35	21.90
	3.	Federal Ins Co	31.458	5.22	27.13
	4.	American Home Assur Co	21.268	3.53	30.66
	5.	Continental Ins Co	17.566	2.92	33.57
	6.	Zurich American Ins Co	17.207	2.86	36.43
	7.	Citizens Ins Co of Amer	16.501	2.74	39.17
	8.	Continental Cas Co	14.083	2.34	41.51
2000	1.	Federal Insurance Co	32.196	6.20	6.20
	2.	National Union Fire Ins Co of Pitts	26.228	5.05	11.26
	3.	Zurich American Insur Co	25.952	5.00	16.26
	4.	American Home Assur Co	22.982	4.43	20.69
	5.	Citizens Insurance Co of America	17.363	3.35	24.03
	6.	Auto-Owners Insurance Co	15.842	3.05	27.08
	7.	Continental Casualty Co	12.185	2.35	29.43
	8.	Cincinnati Insurance Co	11,874	2.29	31.72

Source of Data: National Association of Insurance Commissioners Byline Statistics from Insurer Reports

Exhibit 3(c)

Loss Ratios - Other Liability with Rank of State (lowest L/R to highest) **1991 - 2000**

YEAR	2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		Average	
	LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank	
US	75.9%		69.9%		71.0%		62.1%		71.7%		80.6%		71.1%		77.1%		73.0%		64.6%		71.7%	
Illinois	72.0%	30	76.5%	36	86.7%	45	53.0%	27	61.7%	33	98.8%	45	82.7%	46	106.7%	48	50.8%	28	84.4%	45	77.3%	40
Indiana	51.9%	13	53.7%	20	20.1%	2	85.0%	47	48.3%	18	75.7%	38	61.9%	35	60.6%	29	61.5%	38	44.2%	19	56.3%	24
Michigan	76.2%	34	91.3%	45	80.6%	37	33.7%	12	46.7%	16	73.0%	34	99.6%	49	70.8%	38	64.6%	39	52.4%	31	68.9%	35
Minnesota	56.3%	17	69.1%	33	54.8%	24	54.8%	31	51.3%	21	61.7%	21	58.4%	28	41.5%	13	44.3%	17	43.1%	18	53.5%	20
New York	81.4%	39	72.3%	35	91.6%	48	101.6%	50	106.8%	50	102.5%	46	97.8%	48	86.7%	43	94.6%	49	76.3%	41	91.2%	46
Ohio	124.0%	48	79.5%	38	47.6%	15	56.4%	33	87.4%	47	71.5%	33	70.6%	39	69.2%	37	43.7%	14	49.0%	26	69.9%	37
Pennsylvania	117.6%	47	110.7%	48	55.4%	26	117.0%	51	84.3%	45	109.0%	48	107.0%	51	91.0%	45	74.3%	43	65.6%	39	93.2%	47
Wisconsin	70.9%	29	44.8%	12	49.4%	20	41.4%	20	29.1%	3	64.3%	23	54.0%	22	55.9%	24	47.1%	22	51.1%	29	50.8%	16

Exhibit 3(d)

Return on Net Worth (RONW) - Other Liability with Rank of State (lowest RONW to highest) **1991 - 2000**

YEAR	2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		Average	
	RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank	
US	8.9%		8.0%		9.7%		12.1%		8.6%		2.6%		6.3%		6.4%		8.3%		10.3%		8.1%	
Illinois	11.6%	30	8.5%	24	5.7%	11	15.9%	26	11.6%	21	-1.8%	9	3.4%	11	-2.8%	7	20.3%	34	-0.5%	9	7.2%	8
Indiana	14.3%	35	13.4%	39	22.9%	48	7.3%	10	16.7%	35	3.9%	15	11.8%	25	14.5%	28	15.0%	20	21.0%	32	14.1%	24
Michigan	12.3%	32	4.4%	13	10.4%	23	22.0%	39	18.6%	40	8.4%	28	-1.4%	3	7.9%	15	15.5%	23	15.5%	22	11.4%	16
Minnesota	12.7%	34	8.1%	23	12.2%	9	15.7%	25	14.6%	28	8.0%	27	10.8%	22	23.1%	42	23.0%	43	22.4%	37	15.1%	28
New York	8.4%	23	8.5%	24	5.5%	10	3.0%	3	1.0%	3	0.5%	12	-0.8%	4	5.1%	11	1.4%	4	6.3%	11	3.8%	4
Ohio	-2.9%	5	5.9%	17	16.6%	42	12.6%	16	4.4%	8	7.7%	26	7.2%	14	10.8%	19	22.9%	42	19.9%	30	10.5%	14
Pennsylvania	2.1%	9	-0.4%	5	13.1%	29	0.5%	1	4.8%	9	-3.6%	5	-10.7%	1	-1.1%	8	6.8%	8	10.6%	13	2.2%	2
Wisconsin	7.8%	22	12.3%	33	15.4%	34	16.1%	27	21.8%	45	9.7%	30	13.6%	31	15.8%	30	19.2%	31	16.1%	23	14.8%	26

Loss Ratio and Return on Net Worth Data from NAIC Report on Profitability By-line By State 2000

Evaluation of Competition

Based on the evidence, it is concluded that the market for other commercial liability insurance is reasonably competitive. The hard phase of the underwriting cycle in 1985 to 1987 caused higher premium rates and hampered availability through more restrictive underwriting practices that negatively affected certain businesses. However, since 1987, with the turnaround in the underwriting cycle, OFIS has observed an unprecedented period of soft markets and a more muted underwriting cycle. Competition has restrained premium levels and fostered availability though insurer profits fell in 1992 and 1993. Insurer profits rose from 1994 to 1997 and, as insurer reserves and surplus grew, availability, as measured by surplus lines share, improved. As noted above, the 2000 data indicate price competition continues, but the unusually low premiums may be squeezing insurer profits.

The above reported results indicate that soft markets continue through the end of 2000. The above average loss ratios of the past three years indicate that insurers are competitive. On the other hand, rising loss ratios have caused some insurers to worry about the adequacy of their reserves. This means that markets may be nearing an end to declining rates with property and casualty insurance premiums probably leveling off in 2001.

Preliminary indications are that 2000 was a good year for buyers of commercial lines of insurance. Business experienced small declines in their insurance premiums. Declines in insurer rate levels, however, may be threatening profitability. It is concluded that this market remained competitive in 2000.

As noted earlier, the data analyzed in this report covers the year 2000. It is appropriate to note that based on anecdotal reports, premium rates were beginning to increase in 2001, possibly signifying the onset of a hardening of the market. It is also possible that such increases in premium rates were to be expected after the extended period of falling rates coupled with weakening profits. In addition, the terrorist attacks of September 11, 2001 undoubtedly have caused insurance companies to raise premiums to offset the higher charges from their reinsurers.

Exhibit E-1

Loss Ratios - Medical Malpractice with Rank of State (from lowest to highest)

1991 - 2000

YEAR	2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		Average	
	LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank	
US	80.9%		73.9%		73.0%		57.8%		62.9%		59.3%		59.3%		64.6%		69.5%		55.7%		65.7%	
Alabama	52.1%	14	35.6%	7	39.9%	11	-41.8%	1	48.5%	14	58.0%	30	54.9%	26	59.0%	33	27.4%	8	24.1%	9	36.8%	5
Alaska	22.0%	3	115.9%	47	16.7%	5	10.2%	6	34.7%	5	45.3%	11	39.9%	17	47.2%	19	28.9%	10	19.0%	7	38.0%	6
Arizona	80.0%	29	71.1%	29	99.4%	42	73.5%	32	75.6%	34	37.2%	6	47.9%	22	52.7%	25	35.4%	13	50.5%	28	62.3%	26
Arkansas	100.5%	35	58.9%	15	98.6%	41	143.4%	50	102.0%	49	77.5%	43	39.0%	14	66.0%	38	50.2%	28	55.9%	35	79.2%	42
California	45.8%	12	42.0%	8	41.3%	13	44.3%	18	45.0%	11	41.5%	8	37.5%	11	38.1%	12	39.8%	21	9.0%	4	38.4%	7
Colorado	43.2%	9	50.9%	14	51.1%	16	29.6%	11	45.8%	12	52.6%	22	77.1%	41	48.6%	20	36.2%	14	36.6%	15	47.2%	16
Connecticut	156.5%	48	124.2%	49	156.2%	50	66.3%	29	57.6%	22	49.4%	17	52.4%	24	50.2%	21	53.3%	31	33.3%	13	74.9%	38
Delaware	58.6%	18	-184.9%	2	16.4%	4	32.5%	13	98.9%	47	21.2%	2	-33.3%	1	51.5%	23	27.5%	9	97.5%	47	18.6%	1
Dist of Colombia	71.9%	25	68.1%	27	103.0%	44	37.9%	14	94.6%	46	104.3%	51	36.4%	10	70.8%	42	172.1%	50	104.7%	50	86.4%	47
Florida	125.1%	43	84.8%	36	89.0%	38	98.2%	46	70.8%	32	86.2%	47	76.4%	40	54.6%	28	64.7%	36	45.4%	23	79.5%	43
Georgia	106.6%	39	89.0%	37	71.0%	25	72.9%	31	51.1%	18	47.2%	16	57.0%	31	41.6%	13	44.2%	24	44.5%	22	62.5%	27
Hawaii	46.2%	13	115.4%	46	73.3%	28	8.8%	5	58.9%	24	62.2%	32	92.2%	47	86.6%	46	-39.1%	1	69.2%	41	57.4%	22
Idaho	71.4%	24	-189.8%	1	330.0%	51	62.1%	28	24.9%	3	73.7%	39	37.8%	12	36.4%	11	46.5%	26	1.7%	2	49.5%	18
Illinois	96.6%	34	63.5%	18	81.8%	35	55.8%	24	54.6%	20	73.7%	39	86.7%	45	99.9%	49	108.9%	48	84.1%	45	80.6%	43
Indiana	29.2%	4	48.1%	13	30.2%	8	25.3%	9	55.8%	21	57.1%	29	19.5%	6	35.6%	10	17.1%	5	39.1%	17	35.7%	4
Iowa	53.8%	15	65.6%	21	32.2%	9	101.8%	48	43.5%	9	62.2%	32	7.0%	3	60.5%	36	36.8%	15	38.5%	16	50.2%	19
Kansas	54.1%	16	66.2%	22	50.8%	15	49.9%	23	50.2%	17	55.8%	27	65.8%	35	55.6%	30	26.7%	7	4.8%	3	48.0%	17
Kentucky	153.8%	46	66.7%	23	75.9%	31	84.5%	37	107.5%	51	99.2%	49	54.9%	26	101.1%	51	72.3%	42	52.8%	32	86.9%	46
Louisiana	44.9%	10	33.6%	5	52.1%	17	28.2%	10	47.7%	13	62.9%	34	28.3%	8	32.7%	6	37.2%	16	45.9%	24	41.4%	9
Maine	71.9%	25	66.9%	24	19.4%	6	-4.1%	4	48.8%	15	24.5%	3	22.1%	7	50.6%	22	70.8%	41	69.4%	42	44.0%	12
Maryland	100.7%	36	83.0%	35	111.2%	47	77.7%	35	76.9%	35	54.9%	24	70.6%	36	45.4%	17	50.8%	29	34.2%	14	70.5%	31
Massachusetts	154.5%	47	81.8%	33	86.3%	37	95.0%	44	61.8%	25	50.0%	18	6.5%	2	22.1%	4	11.8%	4	77.3%	43	64.7%	29
Michigan	29.3%	5	47.4%	11	43.4%	14	32.0%	12	38.1%	7	26.4%	4	59.6%	33	60.9%	37	57.7%	33	63.6%	38	45.8%	15
Minnesota	32.4%	6	43.0%	10	61.5%	20	-8.9%	2	70.0%	31	27.8%	5	38.3%	13	32.8%	7	38.3%	18	50.3%	27	38.6%	8
Mississippi	129.1%	44	138.4%	51	68.3%	23	145.0%	51	100.8%	48	76.7%	42	97.9%	49	33.5%	8	44.1%	23	40.1%	20	87.4%	48

Source of Data: NAIC Report on Profitability By-line By State 2000

Exhibit E-1

Loss Ratios - Medical Malpractice with Rank of State (from lowest to highest) 1991-2000

YEAR	2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		Average	
	LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank	
Missouri	69.4%	23	72.5%	30	59.6%	19	48.4%	21	92.4%	44	50.9%	20	54.7%	25	54.6%	28	51.3%	30	52.3%	31	60.6%	24
Montana	166.0%	49	82.0%	34	72.7%	27	60.0%	25	90.9%	43	51.4%	21	42.2%	19	53.5%	27	72.8%	43	39.6%	19	73.1%	36
Nebraska	54.3%	17	63.7%	19	28.4%	7	40.2%	17	39.4%	8	45.8%	12	46.8%	21	43.4%	15	30.0%	11	39.4%	18	43.1%	11
Nevada	84.8%	31	127.2%	50	108.3%	46	119.2%	49	94.1%	45	55.6%	26	83.8%	44	97.7%	48	37.6%	17	52.0%	30	86.0%	46
New Hampshire	143.6%	45	67.2%	25	34.6%	10	49.6%	22	35.2%	6	61.6%	31	88.5%	46	55.9%	31	8.2%	3	51.0%	29	59.5%	23
New Jersey	45.2%	11	34.7%	6	55.2%	18	60.8%	26	105.3%	50	79.9%	44	75.6%	38	80.6%	45	90.3%	47	90.6%	46	71.8%	34
New Mexico	67.8%	22	98.7%	42	112.7%	48	91.5%	41	89.4%	42	101.6%	50	80.1%	42	59.9%	35	67.6%	38	68.6%	40	83.8%	45
New York	35.8%	7	76.7%	31	78.5%	34	21.9%	8	49.5%	16	46.7%	15	73.3%	37	95.0%	47	144.7%	49	77.4%	44	74.5%	37
North Carolina	92.0%	33	96.8%	41	81.9%	36	95.6%	45	58.5%	23	64.2%	36	75.8%	39	70.1%	41	66.4%	37	61.4%	36	76.3%	39
North Dakota	62.1%	20	95.5%	39	-139.3%	1	46.0%	20	-6.9%	1	52.8%	23	138.7%	51	0.3%	2	69.2%	40	28.9%	11	34.7%	3
Ohio	104.3%	38	100.5%	43	92.0%	39	86.1%	38	79.3%	36	75.4%	41	50.0%	23	78.1%	44	63.9%	35	54.6%	33	78.4%	41
Oklahoma	75.4%	27	59.5%	16	72.3%	26	20.0%	7	85.7%	39	72.0%	38	56.3%	30	46.8%	18	188.5%	51	44.2%	21	72.1%	35
Oregon	82.8%	30	67.3%	26	75.4%	29	39.6%	16	65.7%	28	42.4%	9	39.3%	16	-0.5%	1	60.5%	34	-31.6%	1	44.1%	14
Pennsylvania	109.6%	40	120.0%	48	75.7%	30	70.7%	30	67.2%	30	56.9%	28	35.0%	9	51.6%	24	23.0%	6	102.2%	49	71.2%	32
Rhode Island	119.2%	41	95.5%	40	69.5%	24	77.0%	34	88.1%	40	68.9%	37	39.0%	14	43.2%	14	32.2%	12	11.8%	5	64.4%	28
South Carolina	67.7%	21	64.9%	20	108.1%	45	45.9%	19	53.3%	19	37.9%	7	57.3%	32	9.7%	3	0.5%	2	67.4%	39	51.3%	20
South Dakota	19.0%	2	42.5%	9	-3.5%	2	86.6%	39	75.3%	33	42.4%	9	41.4%	18	69.8%	39	47.7%	27	17.8%	6	43.9%	14
Tennessee	180.2%	50	109.6%	44	39.9%	11	98.4%	47	65.6%	27	55.0%	25	55.2%	29	44.3%	16	39.6%	20	24.7%	10	71.3%	33
Texas	103.6%	37	115.3%	45	100.9%	43	73.6%	33	81.7%	37	85.6%	46	93.5%	48	100.4%	50	85.4%	46	98.5%	48	93.9%	50
Utah	75.1%	26	6.7%	3	150.1%	49	92.3%	42	89.1%	41	81.6%	45	81.3%	43	71.5%	43	68.0%	39	55.2%	34	77.1%	40
Vermont	38.9%	8	47.5%	12	63.8%	21	38.9%	15	62.5%	26	16.7%	1	17.6%	4	35.3%	9	74.6%	44	32.9%	12	42.9%	10
Virginia	59.7%	19	69.4%	28	76.8%	33	61.8%	27	44.4%	10	50.6%	19	46.2%	20	59.7%	34	42.5%	22	46.2%	25	55.7%	21
Washington	78.9%	28	79.5%	32	64.5%	22	79.6%	36	66.6%	29	45.8%	12	61.3%	34	57.2%	32	56.5%	32	22.3%	8	61.2%	25
West Virginia	85.6%	32	93.7%	38	76.0%	32	92.8%	43	83.8%	38	88.3%	48	123.7%	50	70.0%	40	84.0%	45	111.0%	51	90.9%	49
Wisconsin	15.9%	1	29.5%	4	13.9%	3	-7.2%	3	13.0%	2	45.9%	14	19.0%	5	27.1%	5	45.6%	25	48.9%	26	25.2%	2
Wyoming	120.8%	42	60.4%	17	98.0%	40	91.0%	40	33.9%	4	64.1%	35	54.9%	26	53.1%	26	38.4%	19	61.6%	37	67.6%	30

Source of Data: NAIC Report on Profitability By-line By State 2000

Exhibit E-2

Loss Ratios - Other Commercial Liability with Rank of State (from lowest to highest)

1991 - 2000

YEAR	2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		Average	
	LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank	
US	75.9%		69.9%		71.0%		62.1%		71.7%		80.6%		71.1%		77.1%		73.0%		64.6%		71.7%	
Alabama	70.5%	28	122.5%	49	81.2%	39	80.8%	44	57.0%	29	68.4%	27	57.6%	27	52.7%	21	47.4%	23	59.4%	36	69.8%	36
Alaska	31.1%	7	68.7%	32	52.0%	21	30.6%	10	12.1%	1	48.9%	8	51.6%	21	66.9%	35	43.7%	14	97.6%	50	50.3%	15
Arizona	102.3%	45	85.5%	41	61.1%	31	65.9%	40	75.9%	42	63.4%	22	59.4%	29	77.8%	39	89.1%	48	92.8%	49	77.3%	40
Arkansas	-141.1%	1	185.6%	51	43.2%	11	52.8%	26	54.1%	26	60.1%	20	38.5%	9	61.9%	31	48.4%	25	41.9%	17	44.5%	7
California	80.0%	37	67.0%	30	82.4%	41	70.6%	43	78.0%	43	95.3%	43	78.8%	44	130.5%	51	130.2%	51	76.3%	41	88.9%	45
Colorado	56.2%	16	64.7%	29	54.3%	23	-66.6%	1	146.4%	51	68.9%	30	49.4%	19	58.3%	27	52.3%	29	53.6%	32	53.8%	22
Connecticut	53.8%	15	95.8%	46	55.8%	27	59.3%	36	97.1%	49	97.8%	44	56.1%	24	79.2%	40	75.6%	45	72.4%	40	74.3%	38
Delaware	145.4%	50	82.3%	39	74.5%	36	68.6%	41	39.0%	9	128.1%	50	102.7%	50	66.6%	34	40.5%	11	87.9%	47	83.6%	44
Dist of Colombia	72.4%	31	39.4%	7	56.0%	28	57.7%	35	31.9%	5	47.6%	7	35.4%	5	53.3%	22	53.8%	33	36.4%	9	48.4%	11
Florida	66.9%	25	67.2%	31	52.8%	22	63.0%	37	69.6%	36	67.3%	26	61.7%	34	60.7%	30	77.4%	46	82.4%	44	66.9%	34
Georgia	61.4%	22	79.3%	37	47.6%	15	63.8%	38	52.2%	22	68.7%	28	49.1%	17	48.8%	18	57.8%	35	56.0%	33	58.5%	26
Hawaii	96.7%	44	46.8%	14	38.9%	9	41.1%	19	55.4%	27	46.7%	6	39.3%	10	32.4%	4	36.4%	5	36.1%	8	47.0%	10
Idaho	67.1%	26	50.6%	17	35.2%	7	40.2%	17	50.9%	20	130.8%	51	67.9%	36	80.6%	41	45.1%	19	35.2%	7	60.4%	28
Illinois	72.0%	30	76.5%	36	86.7%	45	53.0%	27	61.7%	33	98.8%	45	82.7%	46	106.7%	48	50.8%	28	84.4%	45	77.3%	40
Indiana	51.9%	13	53.7%	20	20.1%	2	85.0%	47	48.3%	18	75.7%	38	61.9%	35	60.6%	29	61.5%	38	44.2%	19	56.3%	24
Iowa	60.1%	20	43.7%	10	42.9%	10	39.9%	16	31.5%	4	36.9%	2	50.3%	20	34.5%	6	42.3%	13	41.3%	15	42.3%	6
Kansas	45.2%	12	56.1%	22	84.8%	43	28.1%	6	41.5%	12	55.1%	16	59.4%	29	49.3%	19	32.7%	3	49.1%	27	50.1%	14
Kentucky	53.0%	14	54.6%	21	34.8%	6	69.1%	42	75.7%	41	69.1%	31	38.2%	8	47.3%	17	50.1%	27	37.8%	11	53.0%	19
Louisiana	75.4%	33	83.5%	40	85.6%	44	87.4%	49	87.0%	46	84.7%	41	60.9%	31	62.9%	33	87.5%	47	116.6%	51	83.2%	43
Maine	29.5%	6	-12.2%	1	48.2%	19	34.4%	14	36.9%	7	75.2%	37	42.6%	12	37.9%	10	44.6%	18	34.2%	5	37.1%	3
Maryland	60.0%	19	58.8%	24	45.9%	12	28.9%	8	61.7%	33	54.8%	14	49.1%	17	58.5%	28	40.3%	10	35.1%	6	49.3%	12
Massachusetts	44.2%	11	26.7%	5	102.5%	49	33.7%	12	59.8%	31	56.7%	18	54.0%	22	40.5%	11	43.9%	16	64.5%	38	52.7%	18
Michigan	76.2%	34	91.3%	45	80.6%	37	33.7%	12	46.7%	16	73.0%	34	99.6%	49	70.8%	38	64.6%	39	52.4%	31	68.9%	35
Minnesota	56.3%	17	69.1%	33	54.8%	24	54.8%	31	51.3%	21	61.7%	21	58.4%	28	41.5%	13	44.3%	17	43.1%	18	53.5%	20
Mississippi	25.4%	4	91.2%	44	80.7%	38	64.5%	39	71.9%	39	68.8%	29	80.7%	45	50.2%	20	66.6%	40	47.4%	23	64.7%	32

Source of Data: NAIC Report on Profitability By-line By State 2000

Exhibit E-2

Loss Ratios - Other Commercial Liability with Rank of State (from lowest to highest) 1991 - 2000

YEAR	2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		Average	
	LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank		LossR/Rank	
Missouri	60.3%	21	61.6%	28	81.6%	40	55.5%	32	59.2%	30	79.3%	39	67.9%	36	47.2%	16	71.8%	41	61.1%	37	64.6%	31
Montana	36.4%	8	57.5%	23	47.7%	18	-10.4%	2	53.6%	25	109.0%	48	60.9%	31	103.4%	47	52.6%	31	25.8%	4	53.7%	21
Nebraska	60.0%	19	51.9%	18	29.1%	5	20.9%	4	41.4%	11	36.7%	1	46.8%	16	43.4%	14	30.0%	2	39.4%	12	40.0%	5
Nevada	116.1%	46	108.1%	47	90.9%	46	56.9%	34	53.0%	23	54.8%	14	60.9%	31	56.8%	25	29.6%	1	41.8%	16	66.9%	34
New Hampshire	76.4%	35	48.6%	15	119.8%	51	41.4%	20	69.7%	37	66.2%	25	-3.3%	1	116.8%	50	52.5%	30	47.3%	22	63.5%	30
New Jersey	84.6%	40	50.5%	16	111.6%	50	84.7%	46	74.4%	40	108.3%	47	86.4%	47	62.4%	32	75.4%	44	59.3%	35	79.8%	41
New Mexico	69.0%	27	13.3%	2	35.7%	8	17.2%	3	59.9%	32	79.5%	40	71.6%	40	87.9%	44	52.7%	32	78.2%	43	56.5%	25
New York	81.4%	39	72.3%	35	91.6%	48	101.6%	50	106.8%	50	102.5%	46	97.8%	48	86.7%	43	94.6%	49	76.3%	41	91.2%	46
North Carolina	63.7%	23	24.6%	4	68.8%	35	34.5%	15	46.1%	15	49.6%	9	42.8%	13	45.3%	15	38.9%	7	37.6%	10	45.2%	8
North Dakota	23.9%	3	41.8%	8	22.3%	4	27.8%	5	21.6%	2	54.5%	12	33.4%	4	37.0%	9	40.8%	12	21.8%	2	32.5%	1
Ohio	124.0%	48	79.5%	38	47.6%	15	56.4%	33	87.4%	47	71.5%	33	70.6%	39	69.2%	37	43.7%	14	49.0%	26	69.9%	37
Oklahoma	72.9%	32	45.7%	13	83.2%	42	54.2%	29	69.8%	38	73.5%	35	38.1%	7	68.0%	36	48.1%	24	57.8%	34	61.1%	29
Oregon	125.0%	49	86.2%	42	68.3%	34	43.3%	23	55.7%	28	52.0%	10	46.6%	15	34.9%	7	49.4%	26	24.3%	3	58.6%	27
Pennsylvania	117.6%	47	110.7%	48	55.4%	26	117.0%	51	84.3%	45	109.0%	48	107.0%	51	91.0%	45	74.3%	43	65.6%	39	93.2%	47
Rhode Island	28.4%	5	52.0%	19	67.4%	33	81.2%	45	50.6%	19	65.9%	24	45.8%	14	40.6%	12	45.5%	20	39.7%	14	51.7%	17
South Carolina	66.8%	24	31.0%	6	55.1%	25	29.5%	9	62.5%	35	73.6%	36	57.3%	26	80.7%	42	39.4%	9	52.1%	30	54.8%	23
South Dakota	43.9%	9	18.9%	3	57.2%	29	32.6%	11	36.1%	6	54.5%	12	37.3%	6	36.4%	8	39.3%	8	39.5%	13	39.6%	4
Tennessee	80.1%	38	59.7%	25	46.6%	13	46.0%	24	38.9%	8	46.5%	5	39.4%	11	32.4%	4	34.2%	4	20.8%	1	44.5%	7
Texas	88.4%	41	61.5%	27	62.6%	32	54.2%	29	95.5%	48	87.0%	42	68.8%	38	102.6%	46	97.7%	50	87.8%	46	80.6%	42
Utah	57.0%	18	70.2%	34	21.1%	3	53.6%	28	41.6%	13	55.6%	17	56.9%	25	28.1%	1	60.0%	37	49.9%	28	49.4%	13
Vermont	1.0%	2	44.3%	11	47.4%	14	85.6%	48	80.6%	44	58.7%	19	74.4%	43	29.4%	3	54.0%	34	89.5%	48	56.5%	25
Virginia	89.6%	42	59.7%	26	47.6%	15	40.2%	17	46.7%	16	42.8%	4	26.9%	2	28.3%	2	38.2%	6	47.5%	24	46.8%	9
Washington	91.6%	43	88.1%	43	58.0%	30	51.2%	25	45.4%	14	70.1%	32	73.2%	41	53.5%	23	72.2%	42	44.2%	19	64.8%	33
West Virginia	78.0%	36	169.8%	50	90.9%	46	42.9%	22	53.5%	24	39.4%	3	73.4%	42	106.7%	48	58.5%	36	47.5%	24	76.1%	39
Wisconsin	70.9%	29	44.8%	12	49.4%	20	41.4%	20	29.1%	3	64.3%	23	54.0%	22	55.9%	24	47.1%	22	51.1%	29	50.8%	16
Wyoming	44.1%	10	43.4%	9	-21.8%	1	28.7%	7	39.2%	10	52.5%	11	27.0%	3	57.6%	26	46.9%	21	46.5%	21	36.4%	2

Source of Data: NAIC Report on Profitability By-line By State 2000

Exhibit F-1

Return on Net Worth - Medical Malpractice Insurance with Rank of State (from lowest to highest) 1991 - 2000

YEAR	2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		Average	
	RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank	
US	4.8%		5.1%		7.6%		12.6%		12.6%		12.7%		13.7%		15.3%		15.5%		15.9%		11.6%	
Alabama	10.1%	31	18.1%	47	17.9%	43	22.5%	48	15.2%	40	16.3%	37	16.0%	31	16.4%	27	31.1%	41	37.2%	43	20.1%	44
Alaska	20.4%	47	-16.2%	2	19.0%	46	19.9%	45	13.9%	35	14.1%	35	11.3%	20	3.0%	6	16.0%	19	39.8%	47	12.1%	26
Arizona	5.2%	21	4.3%	27	-1.4%	12	4.7%	16	2.7%	14	12.4%	27	13.8%	26	14.5%	22	19.2%	23	14.6%	21	9.0%	20
Arkansas	-2.3%	16	9.4%	37	0.7%	16	-13.8%	2	-4.7%	3	0.4%	7	16.0%	31	7.0%	9	15.2%	16	11.7%	16	4.0%	10
California	13.7%	37	8.8%	36	13.8%	38	13.8%	30	11.6%	28	12.9%	29	15.0%	30	15.1%	24	15.9%	18	37.7%	44	15.8%	36
Colorado	13.1%	36	11.4%	42	12.2%	37	20.9%	47	18.4%	44	8.1%	19	-3.6%	8	13.4%	16	26.1%	37	24.2%	35	14.4%	31
Connecticut	-5.4%	8	2.0%	20	-4.5%	8	12.9%	27	13.7%	34	17.9%	39	16.3%	33	23.6%	41	22.0%	29	29.6%	40	12.8%	28
Delaware	11.7%	34	58.4%	49	19.8%	47	16.5%	36	1.9%	12	23.3%	47	53.7%	51	15.5%	26	30.0%	40	-6.9%	5	22.4%	48
Dist of Colombia	9.6%	28	8.1%	35	-5.4%	6	19.0%	41	-1.3%	9	-3.8%	4	25.8%	43	17.0%	29	-26.3%	2	-21.2%	1	2.2%	4
Florida	-14.0%	4	-2.8%	12	-0.5%	14	-5.1%	6	7.7%	21	-4.7%	2	-0.7%	10	15.4%	25	14.7%	15	19.7%	29	3.0%	6
Georgia	-3.2%	13	-0.6%	16	6.7%	23	6.9%	21	13.9%	35	14.6%	36	12.9%	24	23.2%	39	25.8%	36	19.0%	28	11.9%	25
Hawaii	11.8%	35	-16.6%	1	-4.7%	7	19.7%	43	3.5%	16	0.9%	8	-8.8%	4	-9.1%	2	54.5%	51	-1.2%	7	5.0%	12
Idaho	3.3%	19	76.5%	51	-68.4%	1	8.7%	24	21.2%	47	-0.1%	6	18.6%	35	14.8%	23	8.4%	9	53.2%	50	13.6%	29
Illinois	3.1%	18	11.3%	41	5.7%	21	12.9%	27	18.2%	43	7.6%	18	5.4%	15	3.6%	7	5.5%	6	3.1%	11	7.6%	17
Indiana	17.7%	41	4.7%	29	14.8%	40	11.2%	26	11.2%	26	9.1%	21	23.3%	40	23.5%	40	31.1%	41	25.6%	38	17.2%	38
Iowa	14.2%	38	5.7%	31	20.2%	49	-0.5%	8	17.4%	41	13.3%	31	35.8%	50	16.9%	28	31.8%	43	25.5%	37	18.0%	40
Kansas	11.7%	34	3.2%	25	9.0%	26	10.2%	25	13.6%	33	10.1%	24	4.2%	13	11.3%	12	35.1%	47	49.4%	49	15.8%	36
Kentucky	-13.1%	5	2.3%	21	5.6%	20	3.1%	14	-3.9%	5	-2.8%	5	13.9%	28	-0.1%	5	13.6%	12	15.1%	22	3.4%	8
Louisiana	9.9%	29	12.5%	44	9.5%	28	17.7%	39	11.3%	27	2.1%	11	19.9%	37	22.8%	38	20.7%	26	20.9%	30	14.7%	33
Maine	6.6%	26	3.2%	25	18.8%	44	33.8%	50	12.9%	31	25.4%	50	29.4%	46	19.0%	32	14.0%	14	5.3%	12	16.8%	37
Maryland	-3.1%	14	0.3%	17	-7.4%	4	1.2%	10	8.5%	22	7.1%	16	2.3%	11	14.2%	20	19.8%	25	23.0%	34	6.6%	14
Massachusetts	-3.7%	11	4.7%	29	9.3%	27	7.0%	22	14.0%	37	16.7%	38	34.1%	49	28.3%	46	34.5%	46	0.5%	8	14.5%	32
Michigan	19.3%	44	10.9%	40	15.4%	41	19.5%	42	20.4%	46	23.5%	48	13.8%	26	18.9%	31	22.1%	30	12.0%	17	17.6%	39
Minnesota	19.8%	45	9.9%	39	10.3%	30	35.9%	51	9.2%	24	28.2%	51	24.1%	41	32.1%	48	33.6%	44	17.8%	24	22.1%	46
Mississippi	-8.5%	7	-8.0%	5	7.0%	24	-18.3%	1	-5.2%	2	2.8%	12	-9.8%	3	26.2%	44	23.0%	33	22.3%	33	3.2%	7

Source of Data: NAIC Report on Profitability By-line By State 2000

Exhibit F-1

Return on Net Worth - Medical Malpractice Insurance with Rank of State (from lowest to highest)

1991 - 2000

YEAR	2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		Average	
	RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank	
Missouri	5.5%	22	72.5%	50	59.6%	19	48.4%	21	92.4%	44	50.9%	20	54.7%	25	54.6%	28	51.3%	30	52.3%	31	54.2%	50
Montana	-19.9%	2	1.8%	19	11.6%	35	14.5%	31	-5.8%	1	12.2%	26	20.1%	38	13.2%	15	7.2%	8	24.9%	36	8.0%	18
Nebraska	11.5%	33	6.7%	32	19.8%	47	15.4%	35	18.1%	42	13.6%	32	27.9%	44	25.5%	43	21.2%	27	35.9%	42	19.6%	42
Nevada	4.8%	20	-8.3%	3	-0.7%	13	-9.3%	4	-3.8%	6	13.6%	32	-3.5%	9	-11.0%	1	27.8%	38	14.0%	20	2.4%	5
New Hampshire	-11.9%	6	2.3%	21	17.8%	42	13.4%	29	25.2%	49	9.9%	23	-5.5%	6	14.0%	19	42.0%	48	18.1%	25	12.5%	27
New Jersey	18.4%	43	17.0%	46	14.3%	39	14.7%	32	4.9%	17	7.3%	17	8.2%	16	9.6%	11	1.8%	4	-2.0%	6	9.5%	21
New Mexico	15.1%	39	-2.5%	14	-12.2%	2	-6.0%	5	-1.6%	7	1.0%	9	-5.7%	5	5.8%	8	-3.7%	3	1.7%	9	-0.8%	2
New York	17.1%	40	7.4%	33	9.7%	29	20.7%	46	18.8%	45	19.9%	42	14.4%	29	13.8%	18	4.0%	5	13.3%	18	13.9%	30
North Carolina	0.4%	17	-4.1%	10	4.0%	18	1.2%	10	11.8%	30	8.4%	20	4.2%	13	11.9%	13	17.3%	20	7.8%	13	6.3%	13
North Dakota	10.0%	30	-4.8%	8	78.1%	51	16.6%	37	37.9%	51	20.0%	43	-21.9%	1	52.6%	51	18.2%	21	32.8%	41	24.0%	49
Ohio	-4.6%	10	-2.3%	15	-4.3%	9	4.7%	16	6.8%	19	6.5%	15	19.7%	36	12.4%	14	21.9%	28	13.4%	19	7.4%	16
Oklahoma	7.7%	27	7.4%	33	5.7%	21	19.7%	43	0.8%	10	4.7%	14	9.7%	18	18.2%	30	-46.3%	1	21.2%	31	4.9%	11
Oregon	6.0%	24	9.8%	38	7.8%	25	14.9%	33	8.8%	23	20.4%	44	20.8%	39	45.0%	50	15.6%	17	65.9%	51	21.5%	45
Pennsylvania	-2.6%	15	-6.9%	7	4.9%	19	8.4%	23	7.2%	20	10.5%	25	30.1%	47	20.3%	34	44.7%	49	-7.5%	4	10.9%	23
Rhode Island	-5.0%	9	-2.8%	12	11.5%	33	0.6%	9	-4.3%	4	-5.6%	1	11.7%	21	23.9%	42	33.7%	45	39.6%	46	10.3%	22
South Carolina	5.8%	23	4.3%	27	-6.5%	5	14.9%	33	13.2%	32	22.9%	46	10.4%	19	34.5%	49	48.0%	50	8.4%	14	15.6%	35
South Dakota	26.4%	48	12.7%	45	31.3%	50	3.5%	15	2.9%	15	18.6%	40	24.3%	42	13.7%	17	22.4%	32	41.1%	48	19.7%	43
Tennessee	-23.4%	1	-4.3%	9	11.5%	33	1.5%	13	9.8%	25	13.8%	34	11.7%	21	19.7%	33	22.1%	30	22.2%	32	8.5%	19
Texas	-3.3%	12	-8.2%	4	-1.7%	11	6.7%	20	1.5%	11	-4.0%	3	-4.4%	7	-2.9%	4	5.6%	7	-9.4%	2	-2.0%	1
Utah	10.3%	32	26.5%	48	-10.6%	3	1.4%	12	2.1%	13	3.5%	13	3.1%	12	9.0%	10	13.8%	13	9.4%	15	6.9%	15
Vermont	20.2%	46	0.7%	18	12.0%	36	17.9%	40	14.0%	37	24.4%	49	31.9%	48	26.5%	45	10.6%	10	27.7%	39	18.6%	41
Virginia	7.7%	27	2.5%	23	3.4%	17	6.3%	19	14.7%	39	12.8%	28	18.1%	34	14.2%	20	19.0%	22	18.9%	27	11.8%	24
Washington	6.1%	25	2.7%	24	10.3%	30	5.8%	18	11.6%	28	22.4%	45	12.5%	23	20.3%	34	19.7%	24	39.2%	45	15.1%	34
West Virginia	-5.4%	8	-7.6%	6	-2.5%	10	-3.3%	7	6.1%	18	9.7%	22	-15.5%	2	20.7%	37	12.4%	11	-8.6%	3	0.6%	3
Wisconsin	17.9%	42	12.0%	43	18.9%	45	28.3%	49	25.1%	48	19.4%	41	28.0%	45	30.0%	47	25.0%	35	18.4%	26	22.3%	47
Wyoming	-16.4%	3	-3.1%	11	-0.5%	14	-11.8%	3	33.4%	50	1.1%	10	8.3%	17	-5.1%	3	28.4%	39	2.0%	10	3.6%	9

Source of Data: NAIC Report on Profitability By-line By State 2000

Exhibit F-2

Return on Net Worth - Other Commercial Liability Insurance with Rank of State (from lowest to highest) 1991 - 2000

YEAR	2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		Average	
	RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank	
US	11.2%		8.0%		9.7%		12.1%		8.6%		2.6%		6.3%		6.4%		8.3%		10.3%		8.4%	
Alabama	6.4%	16	-8.9%	4	3.0%	7	1.9%	2	12.1%	22	6.0%	21	12.7%	26	16.3%	32	18.0%	27	11.2%	15	7.9%	9
Alaska	16.5%	39	6.4%	16	12.2%	23	21.0%	37	30.7%	50	13.9%	42	9.8%	19	7.7%	14	14.7%	19	-18.1%	1	11.5%	17
Arizona	-2.1%	6	1.0%	6	10.3%	20	7.2%	9	2.7%	6	6.9%	24	13.6%	31	7.1%	12	2.2%	5	-9.4%	3	4.0%	6
Arkansas	68.9%	49	-38.6%	1	18.0%	44	14.3%	22	16.3%	33	9.9%	31	22.5%	46	13.6%	27	14.1%	18	22.3%	36	16.1%	31
California	3.5%	12	5.7%	13	3.1%	8	6.4%	8	4.0%	7	-3.5%	6	2.4%	10	-11.3%	3	-13.1%	1	5.3%	10	0.3%	1
Colorado	11.3%	29	7.2%	19	12.7%	27	52.0%	48	-15.8%	1	4.9%	18	12.9%	27	12.4%	24	15.3%	22	14.8%	21	12.8%	20
Connecticut	15.8%	38	5.8%	14	16.2%	39	14.6%	23	-1.4%	2	-0.3%	11	11.5%	23	7.3%	13	2.7%	6	6.6%	12	7.9%	9
Delaware	-12.0%	2	7.0%	18	9.9%	18	5.9%	6	21.8%	45	-15.9%	2	-2.5%	2	10.0%	18	20.9%	35	-6.2%	5	3.9%	5
Dist of Colombia	9.6%	25	20.3%	41	6.3%	14	13.4%	17	23.3%	47	14.4%	44	16.0%	35	17.0%	33	11.8%	14	27.3%	45	15.9%	30
Florida	9.8%	26	6.7%	17	14.4%	30	98.0%	51	7.5%	14	7.3%	25	10.5%	21	13.2%	26	8.2%	11	-2.0%	8	17.4%	35
Georgia	12.2%	31	3.7%	10	15.3%	33	90.0%	50	13.9%	25	4.5%	16	15.1%	34	15.9%	31	13.5%	15	13.0%	17	19.7%	39
Hawaii	-0.1%	7	10.6%	28	16.2%	39	14.0%	21	11.0%	18	13.6%	41	16.7%	36	19.4%	34	23.1%	44	26.0%	43	15.1%	28
Idaho	7.3%	19	12.7%	31	16.5%	41	18.3%	32	19.4%	41	-21.4%	1	3.8%	12	-1.1%	8	20.9%	35	27.5%	46	10.4%	13
Illinois	11.6%	30	8.5%	22	5.7%	11	15.9%	26	11.6%	21	-1.8%	9	3.4%	11	-2.8%	7	20.3%	34	-0.5%	9	7.2%	8
Indiana	14.3%	35	13.4%	32	22.9%	48	7.3%	10	16.7%	35	3.9%	15	11.8%	25	14.5%	28	15.0%	20	21.0%	32	14.1%	24
Iowa	11.3%	29	15.9%	37	15.8%	38	18.7%	33	24.2%	48	21.6%	49	14.2%	33	26.3%	47	22.1%	39	22.2%	35	19.2%	38
Kansas	30.0%	47	4.7%	12	2.0%	6	16.5%	29	17.6%	38	10.5%	33	11.5%	23	15.4%	29	25.1%	48	17.9%	25	15.1%	28
Kentucky	15.0%	36	9.9%	25	18.0%	44	8.1%	11	5.6%	12	6.4%	22	21.8%	45	20.0%	36	17.7%	26	24.4%	40	14.7%	25
Louisiana	6.8%	17	1.9%	9	4.1%	32	3.8%	5	2.6%	5	-3.3%	8	8.3%	17	11.8%	22	0.0%	3	-13.7%	2	2.2%	2
Maine	22.0%	43	32.8%	44	14.9%	34	18.9%	35	20.9%	44	3.5%	14	20.1%	41	19.6%	35	22.8%	41	27.6%	47	20.3%	41
Maryland	10.7%	27	9.7%	24	15.4%	5	23.0%	42	9.6%	16	15.2%	45	17.4%	38	12.7%	25	21.7%	38	26.5%	44	16.2%	32
Massachusetts	21.9%	42	17.4%	38	1.4%	21	19.6%	36	12.9%	24	11.8%	34	13.2%	29	20.8%	40	19.6%	33	10.8%	14	14.9%	27
Michigan	12.3%	32	4.4%	11	10.4%	23	22.0%	39	18.6%	40	8.4%	28	-1.4%	3	7.9%	15	15.5%	23	15.5%	22	11.4%	16
Minnesota	12.7%	34	8.1%	21	12.2%	9	15.7%	25	14.6%	28	8.0%	27	10.8%	22	23.1%	42	23.0%	43	22.4%	37	15.1%	28
Mississippi	22.1%	44	1.7%	8	4.6%	17	10.9%	13	7.1%	13	6.6%	23	0.4%	6	20.0%	36	9.5%	13	19.1%	27	10.2%	12

Source of Data: NAIC Report on Profitability By-line By State 1999

Exhibit F-2

Return on Net Worth - Other Commercial Liability Insurance with Rank of State (from lowest to highest) 1991 - 2000

YEAR	2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		Average	
	RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank		RONW/Rank	
Missouri	14.3%	35	9.7%	24	8.0%	34	15.3%	24	14.7%	29	4.5%	16	8.2%	15	20.2%	38	9.0%	12	11.6%	16	11.6%	18
Montana	20.3%	41	7.8%	20	15.4%	47	34.7%	47	13.9%	25	-10.5%	4	10.2%	20	-11.1%	4	13.9%	16	36.6%	49	13.1%	21
Nebraska	12.4%	33	12.5%	30	22.2%	2	27.4%	46	20.5%	43	24.2%	51	20.5%	42	23.0%	41	31.7%	51	24.0%	39	21.8%	42
Nevada	-8.7%	4	-10.3%	3	-3.0%	2	9.2%	12	12.3%	23	11.9%	35	9.2%	18	10.9%	20	18.7%	29	22.1%	34	7.2%	8
New Hampshire	2.3%	10	14.7%	35	-4.3%	1	16.9%	30	9.5%	15	8.7%	29	40.7%	51	-12.1%	2	17.5%	25	20.3%	31	11.4%	16
New Jersey	7.7%	21	12.7%	31	0.9%	4	62.0%	49	11.2%	19	-10.7%	3	-0.2%	5	11.6%	21	6.8%	8	13.2%	18	11.5%	17
New Mexico	5.6%	14	19.7%	40	20.2%	46	25.2%	43	11.2%	19	-1.1%	10	2.2%	9	-6.7%	5	15.2%	21	-2.2%	7	8.9%	11
New York	8.4%	23	8.5%	22	5.5%	10	3.0%	3	1.0%	3	0.5%	12	-0.8%	4	5.1%	11	1.4%	4	6.3%	11	3.8%	4
North Carolina	11.1%	28	21.9%	42	7.0%	16	22.7%	40	17.5%	37	14.1%	43	22.6%	47	20.2%	38	26.3%	49	25.4%	41	18.9%	37
North Dakota	24.2%	46	13.9%	34	28.3%	50	26.2%	45	28.3%	49	12.7%	40	27.8%	50	28.4%	49	24.2%	45	38.4%	51	25.2%	43
Ohio	-2.9%	5	5.9%	15	16.6%	42	12.6%	16	4.4%	8	7.7%	26	7.2%	14	10.8%	19	22.9%	42	19.9%	30	10.5%	14
Oklahoma	8.9%	24	12.3%	29	5.8%	13	12.0%	15	5.1%	11	2.9%	13	20.8%	43	9.3%	17	19.5%	32	13.7%	19	11.0%	15
Oregon	-8.8%	3	1.0%	6	6.6%	15	16.2%	28	14.3%	27	12.6%	39	17.0%	37	24.0%	44	18.7%	29	33.6%	48	13.5%	23
Pennsylvania	2.1%	9	-0.4%	5	13.1%	29	0.5%	1	4.8%	9	-3.6%	5	-10.7%	1	-1.1%	8	6.8%	8	10.6%	13	2.2%	2
Rhode Island	22.6%	45	12.3%	29	12.5%	26	6.1%	7	16.1%	31	12.3%	38	18.1%	39	23.5%	43	22.4%	40	25.8%	42	17.2%	34
South Carolina	7.1%	18	17.8%	39	12.7%	27	21.7%	38	10.9%	17	5.0%	19	13.1%	28	-0.1%	10	21.3%	37	14.6%	20	12.4%	19
South Dakota	16.9%	40	25.0%	43	10.0%	19	22.7%	40	20.4%	42	10.4%	32	23.0%	48	26.0%	46	24.5%	46	23.5%	38	20.2%	40
Tennessee	4.2%	13	10.3%	26	15.4%	34	17.3%	31	16.8%	36	17.4%	47	21.3%	44	27.8%	48	28.2%	50	38.1%	50	19.7%	39
Texas	2.5%	11	8.9%	23	12.3%	25	13.4%	17	1.0%	3	-3.4%	7	5.9%	13	-5.1%	6	-5.6%	2	-5.2%	6	2.5%	3
Utah	15.6%	37	1.2%	7	24.6%	49	11.4%	14	17.8%	39	12.1%	37	13.4%	30	28.8%	50	13.9%	16	17.5%	24	15.6%	29
Vermont	30.8%	48	13.7%	33	16.6%	42	3.7%	4	5.0%	10	16.2%	46	8.2%	15	25.6%	45	18.4%	28	-6.5%	4	13.2%	22
Virginia	6.2%	15	10.4%	27	14.4%	30	18.7%	33	15.9%	30	20.2%	48	26.8%	49	30.3%	51	24.5%	46	18.1%	26	18.6%	36
Washington	1.5%	8	-0.4%	5	10.6%	22	13.5%	19	16.4%	34	5.3%	20	1.8%	8	11.8%	22	6.5%	7	21.4%	33	8.8%	10
West Virginia	7.5%	20	-17.6%	2	5.7%	11	13.9%	20	16.1%	31	22.6%	50	1.7%	7	-15.1%	1	16.7%	24	19.7%	28	7.1%	7
Wisconsin	7.8%	22	12.3%	29	15.4%	34	16.1%	27	21.8%	45	9.7%	30	13.6%	31	15.8%	30	19.2%	31	16.1%	23	14.8%	26
Wyoming	-14.9%	1	15.1%	36	38.3%	51	25.7%	44	34.3%	51	11.9%	35	19.1%	40	8.2%	16	7.4%	10	19.8%	29	16.5%	33

Source of Data: NAIC Report on Profitability By-line By State 2000

NAIC's Calculation of Return of Net Worth

The purpose of this appendix is not to reproduce the explanations in the NAIC profitability report but to show how the NAIC calculates the statistics. Those who wish to pursue the technical aspects of these calculations should review that report.

RONW is a percentage determined as NAIC's estimates of operating profits by line and by state divided by NAIC's determination of net worth that is allocated to the respective line and state. NAIC estimates by-line, by-state operating profits as the sum of three by-line, by-state ratios: an underwriting profit ratio plus a total investment ratio less a federal tax ratio. NAIC determines net worth in each line as national net worth allocated to each state and each line using, for a given line in a given state, that state's fraction of the national quantity including surplus, excess statutory reserves, unauthorized reinsurance, non-admitted assets, prepaid expenses, salvage and subrogation, and deducting deferred taxes. The following sections discuss the component ratios.

Underwriting Profits Ratio

To obtain the by-line by-state underwriting profit ratios, NAIC uses several factors determined as ratios of direct earned premiums. The by-line by-state underwriting profit ratios is the residual after subtracting from one (essentially the ratio of earned premiums to itself) the sum of the by-line, by-state ratios for losses incurred, loss adjustment expenses, general expenses, selling expenses, dividends, licenses, fees, and taxes. The paragraphs below discuss each component.

NAIC determines some of these ratios specifically to each state and line of insurance where data are available from each insurer's state page. From the state page-data, NAIC determines, for each line of insurance premiums earned, loss ratios (the most critical components of this calculation) and dividend ratios. Recent changes to the annual statement have added to the state-page data allocated loss adjustment expenses, commissions and brokerage expenses, and expenses for state taxes, licenses and fees, each of which they develop into ratios of earned premiums. Prior to 1992, these data had to be allocated from national data in the Insurance Expense Exhibits. Prior to 1993, before NAIC mandated reporting of loss data on a net basis, loss data were adjusted by a factor of .997 to reflect salvage and subrogation recoveries. NAIC adjusts several of these ratios to put them on a Generally Accepted Accounting Principles (GAAP) basis.

Some data continue to be only available in the Insurance Expense Exhibit supplement to the Annual Statement at the national level and are not allocated to specific states. NAIC allocates the insurers' national by-line unallocated loss adjustment expenses to each state using each state's fraction of national losses incurred. The allocated and unallocated loss adjustment expenses are combined to obtain the by-line, by-state loss adjustment expense ratio.

General expenses are available by line but are not allocated by state. NAIC determines the general expense ratio as general expenses adjusted to a GAAP basis and divided by national earned premiums by-line. National by-line other acquisition expenses are allocated to each state and line

using the respective ratio of premiums earned to national premiums written. The denominators of the allocation ratios were chosen to adjust the data to a GAAP basis. After the ratio of by-line by-state other acquisition expenses to premiums earned ratio is determined, the commissions and brokerage expense ratio is added to obtain the selling expense ratio.

Total Investment Gain Ratio

The total investment gain ratio is one of the more complex and controversial ratios used in the RONW calculation. The by-line, by-state investment gain ratio is the ratio of investment gains allocated to each state and line divided by the respective premiums earned for the given line and state. Somewhat simplified, the calculation of the by-line, by-state investment gain is national investment gain allocated using the by-state and by-line fraction of the national quantity for surplus, less agent balances and plus reserves for losses, loss adjustment expense and unearned premium.

Obtaining the national and statewide quantities for agent balances and reserves for losses, loss adjustment expense, and unearned premium is straightforward. National surplus is also obtained easily as policyholders' surplus. NAIC allocates industry surplus by line and by state through the application of a given state and insurance line fraction of national earned premiums plus reserves for losses, loss adjustment expense and unearned premiums.

Federal Tax Ratio

NAIC estimates federal taxes for each line and state by applying the applicable tax rate to the respective underwriting profit ratio and total investment gain ratio. There are provisions estimating taxes on 15% of the interest on tax-exempt municipal bonds. Other adjustments include a double deduction for the drawdown of pre-1987 loss and loss-adjustment reserves, which are based on payout patterns.

CERTIFICATION OF THE STATE OF
COMPETITION IN THE
COMMERCIAL LIABILITY INSURANCE MARKET

I hereby certify that, based on the results of the economic tests specified in section 2409c of the Insurance Code of 1956, 218 PA 1956, MCL 500.2409c, a reasonable degree of competition exists at this time, with respect to the Michigan commercial liability insurance market.

Frank M. Fitzgerald
Commissioner of Financial and Insurance Services

DATE: _____